



## Principles for a Medicare Prescription Drug Benefit

**The Alliance for Retired Americans is committed to the enactment by Congress of a universal, comprehensive, and affordable defined prescription drug benefit under Medicare.**

The Medicare program is a vital and effective program on which more than 98 percent of older Americans and millions of persons with disabilities depend. However, Medicare lacks a core component of any comprehensive medical system – prescription drugs.

Prescription drug prices are rising rapidly, having the most adverse effect on the segments of the population without some type of drug coverage. Older Americans spend more out-of-pocket than the rest of the population because they have more acute and chronic illnesses, use more prescription drugs for treatment, and are less likely to have insurance coverage.

Older Americans, 13 percent of the U.S. population, account for 34 percent of all prescriptions dispensed and 42 cents of every dollar spent on prescription drugs. Employer-provided health coverage for retirees is declining and managed care plans are capping or dropping drug benefits, and are dropping out of the Medicare+Choice program.

The recent proposal to give block grants to the states to create prescription benefits for low-income seniors would be ineffective for the following reasons:

- it would leave millions of moderate-income older and disabled persons without protection;
- it would take years to create;
- it would give states wide latitude to restrict benefits;
- it would delay the passage of a true universal and defined Medicare drug benefit; and
- the record of states in enrolling persons in the QMB and SLMB programs gives little cause for optimism for expanded coverage.

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**The Alliance for Retired Americans believes that a Medicare pharmaceutical benefit must incorporate the following principles:**

- Universal coverage for all who qualify for Medicare benefits;
- The benefit must be comprehensive and include the most current and effective treatments and quality controls;
- Enrollment in the benefit should be voluntary so that those who have superior benefits can remain in their employer's plan while assuring enrollment later for persons facing erosion or loss of current drug benefits;
- The benefit must have affordable premiums and co-pays and should protect all beneficiaries from high out-of-pocket expenses;
- The benefit must **not** be means-tested, however, low-income persons should have all costs covered;
- Dollar coverage of the benefit should be high enough to protect the out-of-pocket costs of average-to-higher pharmaceutical users and contain a reasonable cap on costs for those with catastrophic bills;
- Employers should be required and/or provided with incentives to maintain and expand the level of coverage of current, employer-provided prescription drug benefits; and
- Pharmaceutical prices for all consumers must be brought under some system of control, including, for example, enforcement of patent limits; negotiations on fair prices by the Federal government where there is significant public investment in drug development; and, provisions to achieve price discounts for Medicare beneficiaries based on the Federal Supply Schedule and comparable to prices charged to larger HMOs and hospital chains. Without action on the rising price of pharmaceuticals, the cost of a Medicare benefit will not be affordable and millions of Americans of all ages will be denied their right to first class health services.